

Message Text

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ORIGIN SS-30

INFO OCT-01 ISO-00 SSO-00 CCO-00 /031 R

DRAFTED BY ARA:JBKUBISCH/EB:TENDERS/ARA/CAR:JBURKE:CJS

APPROVED BY THE ACTING SECRETARY

S:LEAGLEBURGER (DRAFT)

L:MFELDMAN (SUBSTANCE)

S/S-O: GEORGE TWOHIE

----- 069269

O 080209Z MAY 74 ZFF4

FM SECSTATE WASHDC

TO AMCONSUL JERUSALEM IMMEDIATE

C O N F I D E N T I A L STATE 094672

EXDIS, TOSEC 381

E.O. 11652:GDS

TAGS: PINT, EMIN, US JM

SUBJECT: JAMAICA BAUXITE -- STATE OF PLAY

1. EAGLEBURGER, KUBISCH, ENDERS AND FELDMAN MET WITH AMBASSADOR FLETCHER MORNING 6 MAY AT HIS REQUEST. FLETCHER SAID THAT IN DEFERENCE TO YOUR INTEREST, MANLEY WAS PREPARED TO POSTPONE PRESENTATION OF THE GOJ BUDGET TO PARLIAMENT UNTIL MAY 16 IN ORDER TO GIVE YOU THE OPPORTUNITY TO ADDRESS THIS MATTER IF YOU DESIRED TO DO SO. JAMAICAN CABINET WAS TO MEET ON THIS POSTPONEMENT MONDAY NIGHT. (WE HAVE NO REPORT AS YET OF RESULTS.) WE TOOK OPPORTUNITY TO EMPHASIZE THAT TO THIS POINT THE USG HAD NOT TAKEN A POSITION ON EITHER SIDE'S PROPOSALS, BUT THAT OUR JOINT INTERESTS WERE SO INTERRELATED THAT WE COULD NOT REMAIN INDIFFERENT TO A FAILURE OF NEGOTIATIONS AND URGED RENEWED EFFORTS AT RESOLUTION.

2. WITH FLETCHER'S AGREEMENT, ENDERS TOLD CUTLER AND ROSE MONDAY AFTERNOON THAT JAMAICAN CABINET WOULD PROBABLY POSTPONE ACTION UNTIL MAY 16. HE ADDED THAT OUR JUDGMENT WAS THAT THE DEADLINE WAS HARDENING AND SHOULD BE TAKEN
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SERIOUSLY. CUTLER AND ROSE REPORTED THAT THE TALKS WERE

AT AN IMPASSE WITH THE GOJ AND COMPANIES APPROXIMATELY \$90 MILLION APART ON REVENUES. THE JAMAICANS HAD INDICATED THEIR LEGISLATION WOULD BE BASED ON 7.5 OF THE INGOT PRICE. IN OTHER WORDS, THE GOJ WAS NOW ASKING

\$11.16 PER LONG DRY TON COMPARED WITH THE COMPANIES' OFFER OF \$5.13. OUR IMPRESSION IS THAT THEY HAVE SOME MORE GIVE. CUTLER AND ROSE INDICATED THAT THEY WOULD BE REVIEWING THE SITUATION MONDAY NIGHT WITH COMPANY PRINCIPALS AND PROPOSING THAT A MEDIATOR (PERHAPS A PRESTIGIOUS AMERICAN BUSINESSMAN; THE COMPANIES WANT SHULTZ) BE BROUGHT INTO PLAY. CUTLER AND ROSE RECOGNIZED THAT THERE WOULD HAVE TO BE A TIME LIMIT AND CONTINUE TO HOPE FOR AN INTERIM SOLUTION GOOD FOR A YEAR OR TWO WITH THE BARGAINING CONTINUING.

3. CUTLER AND ROSE RETURNED THIS MORNING, MAY 7, ACCOMPANIED BY KAISER PRESIDENT CORNELL MAIER, TO REPORT ON THEIR MEETING WITH COMPANY PRINCIPALS EVENING MAY 6. AFTER REVIEWING THEIR POSITION, COMPANIES CONFIRMED THAT THEY COULD GO NO HIGHER THAN \$79 MILLION OFFER ALREADY TABLED PLUS THE PROMISE OF EARLY MOVEMENT TO EXPAND ALUMINA CAPACITY ON A JOINT VENTURE BASIS WITH GOJ. PROJECT WOULD AMOUNT TO \$400 MILLION IN NEW CAPITAL INVESTMENT. THEY DID NOT RETURN TO THE IDEA OF USING A MEDIATOR AND CONCLUSION IS THAT CEOS ARE COOL TO THIS IDEA FOR FEAR OF LOSING CONTROL OF THE NEGOTIATION. ROSE AND CUTLER PRIVATELY FEEL THAT IT IS STILL A POSSIBILITY, HOWEVER. INSTEAD, COMPANIES STATED THAT CHIEF EXECUTIVE OFFICERS WOULD WELCOME THE OPPORTUNITY TO MEET DIRECTLY WITH MANLEY TO REVIEW THE NEGOTIATIONS TO DATE. ONE OR TWO OR ALL OF THE CEOS WOULD BE AVAILABLE FOR SUCH A SESSION DEPENDING ON MANLEY'S PREFERENCE. THEY FELT THERE WAS A CERTAIN ADVANTAGE IN LIMITING NUMBER TO TWO (HARPER OF ALCOA AND MAIER OF KAISER WERE NAMED), IN ORDER TO MAKE SESSION MORE USEFUL. AT THIS MEETING, THEY WOULD REITERATE THEIR OFFER TO THE GOJ AND INDICATE THEIR WILLINGNESS TO ACCEPT A SHORT-TERM RENEWAL OF CONTRACTS (PREFERABLY 3 YEARS, BUT EVEN 1 YEAR WOULD BE ACCEPTABLE) TO PERMIT THEIR REVIEW IN LIGHT OF MARKET

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CONDITIONS ONE, TWO OR THREE YEARS HENCE. BECAUSE OF FEAR THAT SUCH A PROPOSAL COMING FROM THEM MIGHT BE EITHER REBUFFED BY THE JAMAICANS OR SEEN AS A WEAKNESS IN THEIR POSITION THEY ASKED THAT WE MAKE THE SUGGESTION OF SUCH A MEETING TO THE GOJ. ENDERS SAID THAT WE ARE NOT GOING TO GET INTO THE SUBSTANCE OURSELVES; THAT WE WOULD HAVE TO MAKE CLEAR TO THE JAMAICANS THAT THE USG DOES NOT NECESSARILY ENDORSE THE COMPANIES SUBSTANTIVE POSITION,

AND THAT THE USG CONTINUES TO WANT TO SEE A GOOD FAITH NEGOTIATION BROUGHT TO A CONCLUSION. ENDERS ADDED THAT THE COMPANIES SHOULD NOT REPEAT NOT COUNT ON ANY INTERVENTION BY THE SECRETARY PRIOR TO 16 MAY.

4. ON THE INSTRUCTIONS OF THE ACTING SECRETARY, KUBISCH

CALLED IN FLETCHER AFTERNOON MAY 7 (FLETCHER IS RETURNING TO JAMAICA ON CONSULTATION MAY 8), AND MADE A SERIES OF POINTS, SUMMARIZED AS FOLLOWS:

A. WE REALIZE FULLY THE IMPORTANCE TO JAMAICA OF REACHING SATISFACTORY NEW FINANCIAL RELATIONSHIP WITH THE COMPANIES AND APPRECIATE THEIR KEEPING US CLOSELY INFORMED OF PROGRESS OF NEGOTIATIONS.

B. WE HAVE BECOME INCREASINGLY CONCERNED AT FAILURE OF THE TWO SIDES THUS FAR TO REACH AGREEMENT AND ESPECIALLY AT POSSIBILITY THAT GOJ MIGHT INTRODUCE LEGISLATION MAY 16.

C. SECRETARY KISSINGER IS NOT ABLE TO BECOME PERSONALLY INVOLVED IN THESE NEGOTIATIONS AND IN ANY CASE IS NOT EXPECTED TO RETURN IN TIME TO TAKE ANY ACTION BEFORE MAY 16.

D. WHILE RECOGNIZING THAT THIS IS ENTIRELY A MATTER FOR GOJ TO DECIDE, WE WISH TO URGE THAT A MAJOR EFFORT BE MADE NOW TO REACH AGREEMENT, WHICH WE BELIEVE IS POSSIBLE.

E. HOW THE TWO SIDES SHOULD NOW PROCEED IS NATURALLY UP TO THEM. THERE WOULD APPEAR TO BE SEVERAL POSSIBILITIES. WE UNDERSTAND, FOR EXAMPLE, THAT ONE OR MORE OF CONFIDENTIAL

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THE CHIEF EXECUTIVE OFFICERS WOULD BE PREPARED TO MEET WITH MANLEY RIGHT AWAY IF THE PRIME MINISTER WISHED. PERHAPS THERE COULD BE A SHORT TERM OR SOME KIND OF PROVISIONAL AGREEMENT.

F. THE IMPORTANT THING IN OUR VIEW IS TO REACH A NEGOTIATED AGREEMENT AND IF THIS REQUIRES MORE TIME THAN APPEARS AVAILABLE PRIOR TO MAY 16, WE STRONGLY URGE THAT GOJ TAKE WHATEVER STEPS IT CONSIDERS APPROPRIATE TO ENSURE THAT NEEDED TIME IS AVAILABLE.

G. IN THE CONTEXT OF THE CLOSEST COOPERATION WHICH CHARACTERIZES OUR RELATIONS, WE FEEL WE MUST POINT OUT THE IMPLICATIONS FOR THE US IF GOJ UNILATERALLY IMPOSES AN ARRANGEMENT ON THE COMPANIES.

H. BAUXITE IS A BASIC COMMODITY FOR THE U.S. ECONOMY, AND ACTIONS TAKEN IN JAMAICA CAN HAVE FAR-REACHING EFFECTS, INCLUDING PRICE IN THE U.S. AND FUTURE VIABILITY OF THE COMPANIES.

I. A UNILATERALLY IMPOSED SOLUTION WOULD BE SURE TO PROVOKE STRONG REACTIONS IN U.S. BUSINESS CIRCLES, IN

U.S. PUBLIC OPINION, AND IN THE CONGRESS; AND IT WOULD NOT BE POSSIBLE FOR USG TO REMAIN INDIFFERENT TO OR ALOOF FROM SUCH A DEVELOPMENT. NOR DO WE BELIEVE IT WOULD BE IN THE POWER OF THE USG, IN ITS EXECUTIVE BRANCH, TO CONTROL REPERCUSSIONS FLOWING FROM SUCH A DEVELOPMENT.

5. FLETCHER TOOK CAREFUL NOTE AND RECAPITULATED THE VARIOUS POINTS. HE MADE A RATHER IMPASSIONED DEFENSE OF THE GOJ'S CONDUCT IN THESE NEGOTIATIONS TO DATE AND EXCORIATED THE COMPANIES FOR BEING ILL PREPARED, DILATORY AND UNFORTHCOMING. HE LAID HEAVY EMPHASIS ON JAMAICA'S ECONOMIC NEE
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